Freshwater Technologies Inc.
Form 10-K
April 15, 2011
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-53871

FRESHWATER TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Nevada	98-0508360
State or jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

30 Denver Crescent, Suite 200, Toronto, Ontario, Canada M2J 1G8
(Address of principal executive offices) (Zip Code)

(416) 490-0254
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common stock, $0.001 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. $104,127

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Common Stock 243,322,063 shares as of April 14, 2011

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

PART I

Item 1. Business.

Forward-Looking Statements

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or “continue” or the negative of these ter comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors”, that may cause our company’s or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

In this report, unless otherwise specified, all references to “common shares” refer to the common shares of our capital stock.

As used in this annual report, the terms “we”, “us” and “our” refer to Freshwater Technologies, Inc., unless otherwise indicated.

Corporate History

We were incorporated in the State of Nevada on December 10, 1999 under the name HMI Technologies Inc. Following incorporation until January 1, 2006, we sought out prospective businesses with which to enter into a merger or business combination. On January 1, 2006, we entered into and closed an asset sale agreement with Max Weissengruber and D. Brian Robertson, whereby we acquired all of the assets related to the business as operated by Mr. Weissengruber and Mr. Robertson under the name “Freshwater Technologies” in consideration for the issuance of 40,000,000 common shares to each individual. Following the closing of the asset sale agreement, we commenced the business of distributing and selling drinking water products and water activation products. On July 5, 2006, we changed our name from HMI Technologies Inc. to Freshwater Technologies, Inc. to better reflect our new business direction. Following the closing of the asset sale agreement, we appointed Mr. Weissengruber as our President and director and Mr. B. Robertson as our Chief Financial Officer and director.

Summary of Current Business

We are a distributor of water treatment products to local distributors and retailers for industrial, manufacturing productivity, agricultural, commercial and household applications. Max Weissengruber, President is responsible for day-to-day business operations with specific responsibilities for marketing communications, website maintenance, investor relations and liaison with regulatory agencies. Brian Robertson, Chief Financial Officer is responsible for budgeting, treasury and comptroller functions. He also fills the specific role of Vice President of Sales, local distributor relations, training and sales support. Douglas Robertson, Secretary maintains corporate records and documentation of business decisions. These officers and directors are capable of managing our current level of business much of which is conducted by our local distributors and supported by our Vice President of Sales, our Director of Marketing for Latin America and our Southern Colombian sales agents.

We currently offer three product lines consisting of drinking water treatment products and water activation products. The drinking water treatment products feature Sterilight branded ultra violet products that are supplied to us by VIQUA, a manufacturer based out of Guelph, Ontario, Canada. Sterilight branded ultraviolet water treatment systems incorporate ultraviolet light energy that eradicates harmful microbiological contaminants in drinking water.Traditional disinfectant methods, such as chlorination, react with natural organic matter to produce objectionable taste and odor and also forms substances with known carcinogenic properties such as trihalomethane. Genetic components in organisms carry hereditary characteristics that are copied and transmitted from each cell of water borne contaminants such as bacteria, viruses and parasites. The Sterilight ultraviolet lamp emits powerful ultraviolet light energy which, when absorbed by these contaminants, causes disruption of the DNA Structure of those contaminants preventing reproduction. It is the prevention of reproduction by microbial contaminants that renders ultraviolet treated water safe for human consumption. Sterilight lamps provide consistent UV output over the 9,000 hour life of the lamp and uniform temperature distribution calculated to achieve the desired levels of decontamination.

Our drinking water treatment products also feature the ozone water treatment systems of Ozocan Corporation for the countries of Argentina, Chile, Peru, Costa Rica and Panama. As a proven disinfectant, ozone is more powerful than chlorine and, unlike chlorine, it discharges no potentially harmful substances into the environment. Used in a variety of water treatment applications, Ozocan's products effectively treat municipal and industrial drinking water and wastewater and are used in bottled water applications as well as treating air conditioning and cooling tower installations. Ozocan systems can be found throughout the globe either as custom designed applications or in one of a number of standard sized units that can meet the effective treatment needs of a wide variety of customers.

Our water activation products are designed to improve the operating efficiency of commercial and industrial boilers and refrigeration systems without the use of chemicals as well as improving significantly the productivity results in certain manufacturing operations and agricutural Greenhouse facilities. Our water activation products are supplied by ELCE International Corp. In July, 2009 ELCE International Corp. agreed to supply us with its own FW branded water activation technology known as FW Aqua Transformer. We order units from ELCE International Corp. which are then shipped against customer orders or shipped directly to one of our local distributors located in Argentina, Chile, Colombia, Costa Rica, Panama and Peru. FW water activation treatment systems remove rust, scale and corrosion within heating and cooling systems. Additionally, FW Aqua Transformers improve productivity in both agricultural and manufacturing operations due to the FW Aqua Transformer's capability to reduce the number of clusters in water molecules and reduce water surface tension. The FW Aqua Transformer units, which range in water flow capacity from 11 liters per minute to over 2,000 liters per minute, change water properties physically without removing or adding chemical impurities or minerals.

We will only purchase limited quantities of replacement filters and lamps for our water purification products for inventory as our distributors will be inventorying the majority of replacement parts. We will purchase all other finished product from our three supplier-manufacturers in quantities sufficient to satisfy product orders of our customers except for rental FW Aqua Transformers.

In January 2009, we signed a Joint Venture Agreement with ELCE International Corp., the company who has been our significant supplier for a number of years. In July 2009, we were approved for a private labelling program whereby all Water Activators made for our rental or sale would now be labelled FW Aqua Transformers. In July, we introduced a FW Aqua Transformer rental program to our distributors and, as a result, we will inventory rental units installed by our distributors at their customers. Pursuant to the joint venture agreement, ELCE International will supply its FW Aqua Transformer units at manufacturer's cost to Freshwater and will participate with Freshwater to market and sell FW products in Argentina, Chile, Columbia, Costa Rica, Panama and Peru. ELCE International Corp. has compiled technical information on Activator equipment installed world-wide in a variety of commercial, industrial, agricultural and aquacultural applications. We intend to target industries and companies for whom ELCE has already provided effective solutions in terms of eliminating or reducing encrustations and corrosion, improving energy efficiency and improving productivity and output. The Joint Venture Agreement with ELCE International expired on January 25th, 2011but both companies have verbally agreed to work together in advancing the Water Activation products and will pursue a formal contract during 2011.

The essential elements of the FW device lie in the properties of its ceramic balls, hardened to 1200 degrees Centigrade. As water passes through the stainless steel chamber containing the ceramic balls, the balls rotate and rub against each other generating several forms of electrical energy which act to reduce and eliminate the accumulated rust, scale and corrosion that is caused by minerals and salts in the source water. As a result, FW water activation eliminates the conventional use and ongoing costs of continually using chemicals to clean out deposits within heating and cooling systems.

In manufacturing and agricultural operations, as a result of FW activated water decreasing the surface tension of the water and reducing the number of clusters in a water molecule, productivity is increased in many applications.

Although our Joint Venture Agreement with ELCE International Corp. expired on January 25, 2011, we continue to work with ELCE International Corp. under a verbal non-exclusive distribution agreement. We have formalized our relationship with VIQUA and Ozocan Corporation pursuant to non-exclusive distribution agreements. We also offer a full line of accessories, replacement parts and services compatible with all types of our water treatment systems.

Currently, we market our products through local distributors and agents in Argentina, Chile, Columbia, Costa Rica, Panama and Peru. These specific markets were selected because we have the ability to conduct business in Spanish and have been able to enter into business relationships with firms and individuals with existing commercial customers and the technical resources to sell, install and service our products. In addition, Central and South America are areas where the depth and breadth of competitive products is not as intense as other more developed markets such as North America and Europe. All of our product lines are chemical free technologies which are gaining more and more support by the general public and increased regulatory attention. Once we have secured the interest of potential local distributors, our Vice President of Sales and/or our Director of Marketing and Sales for Latin America visits the country in question to determine if the potential local partner has an existing business with the required technical capability to represent our products. Our initial focus is in the water activation products area since we do have available activators for the boiler and refrigeration/cooling products already sold by local distributors and are testing activators in the manufacturing and agricutural areas. Once an agreement is signed, our Vice President of Sales or Director of Latin American Marketing delivers on site training programs for each local distributor and regularly accompanies local partners on sales presentations to answer questions and provide technical support. We receive ongoing product and technical support from ELCE International which is usually provided in Spanish. Communication with local distributors is maintained on a regular basis with quick responses to questions or inquiries from our distributors.

As a marketing initiative, we also offer training and technical information to local distributors, through our Director of Latin American Marketing, who may then pass on such knowledge and information to the end-user. Our primary objective in the short-to-medium term is to establish an initial customer base in every market we enter. We have found that if potential customers can see our products in a nearby location and talk with the owner of our products, that third party support is critical in growing our business. As a result of the specific definition of our target markets and the fact that we are in the development stage of operations, we have focused on the development of distribution alliances as the preferred means of business development. We intend to leverage external resources provided by our local distributors and satisfied customers to minimize overhead and to seek market development by tapping into existing client pools of distributors. These arrangements may take the form of a distribution agreement, joint venture or partnership agreement. We believe that without well-established, reputable local partners, it is difficult to manage the language, culture and business practices of foreign territories.

To date, the cost of our FW Aqua Transformers compare with other methods of treating scale, rust and corrosion in heating and cooling systems and are a one time cost when compared with the never ending cost of chemicals in chemical methods of removing such water based encrustations. We have learned that industrial and commercial customers are financially able to purchase our water activation products which cost a very small amount when compared with the cost they pay for boiler and refrigeration equipment. In addition, FW Aqua Transformers are designed to maximize operational efficiency by removing rust, scale and corrosion which can increase energy costs and cause production shutdowns and reduce the equipment life of water based heating and cooling systems.

The VIQUA ultraviolet units are marketed to middle and higher income households who want to directly control the safety of their household drinking water supplies.

In terms of drinking water treatment systems, all competitive technologies such as chlorination, reverse osmosis, desalinization and ion exchange require some form of electricity in order to function. A normal household ultra violet water treatment system, which requires a sediment filter, uses the equivalent electricity of a 40 watt light bulb. To eliminate sulphur and other taste affecting odors, a carbon filter is also recommended.

We believe that we can develop a distribution network by offering proven chemical free and competitively priced products to our distributors. Through our distribution network, we hope to derive recurring sales and rental revenue from sources, such as servicing potable water equipment, the sale of replacement parts, filters and other consumables. Our distribution network may enable us to offer appropriate solutions to water problems for residential and commercial customers through a combination of testing, product selection, installation, monitoring and service. We also intend to use a distribution network as a way to consider new product lines and enter new markets once a determination of potential need has been made. Distributors are requested to purchase all their requirements for water treatment products from us. As we do not manufacture our products, we are not required to invest in capital intensive infrastructure that is necessary to complete the manufacturing process. We will only purchase limited quantities of replacement filters and lamps for our water purification products for inventory as our distributors will be inventorying the majority of replacement parts. We will purchase all other finished product from our three supplier-manufacturers in quantities sufficient to satisfy product orders of our customers except for rental FW Aqua Transformers.

Environmental Compatibility

We represent 3 water treatment suppliers all on a non-exclusive basis and sells water treatment products through distributors and agents.

The most significant competitive business condition in both the drinking water and scale elimination water treatment industry sectors in which we operate is the ever increasing degree of environmental protection requirements imposed on suppliers of water treatment products. Growing public and governmental concerns over the introduction of potentially harmful materials into surface and groundwater supplies has resulted in increasingly stringent product

performance requirements and methods of treatment for both drinking water and industrial/commercial water treatment applications.

The US Office of Technology Policy has clearly identified the fact that water treatment products must match and comply with emerging environmental regulations.

Drinking Water Equipment Competition

Ultra Violet water treatment is a widely accepted chemical free disinfection system which effecvtively destroys microbial contaminants without adding any harmful substances to water supplies eliminating the possibility of any harmful by products created during the disinfection process. Viqua, our UV supplier, is a major international supplier of a wide range of ultra violet drinking water products. Viqua UV disinfection systems clearly are competitive and effectively meet the critical business condition of environmentally compatible treatment processes.

Other drinking water technologies include chlorine based technology, which faces increased regulatory scrutiny due to its use of harsh chemicals and various filtration methods including reverse osmosis which are also chemical free. Buying decisions are based on price competitiveness as well as established distribution capabilities to provide local sales and service capabilities.

We also represent Ozocan Ltd., an international designer of ozone drinking water treatment systems with installations around the world. Like ultra violet disinfection, ozone is a chemical free disinfection system that is 52% stronger than chlorine and has been shown to be effective over a much wider spectrum of microorganisms than chlorine and other disinfectant agents. Ozone, unlike other chemically-based disinfectants, leaves no chemical residue in water courses and kills microorganisms through oxidizing their cell membranes efficiently and in a relatively short time period. Ozocan provides both customized as well as standardized production models and provides both installation and servicing of its treatment systems with performance requirement specifically tailored to the overall regulatory and water supply conditions for each application. Ozocan is able to compete internationally both on environmental safety, price and specific performance treatment for each specific installation site.

Non-Drinking Water Products Competition

Our major competitive product is the FWAqua Transformer, a non chemical treatment using water activation to eliminate the accumulation of scale, rust and corrosion, caused by minerals found in most water supplies, in heating and cooling systems found in a wide range of industrial, commercial and institutional applications. FW Aqua Transformers operate by the introduction of water through a stainless steel cylinder containing highly hardened ceramic balls. The action of the water agitates the ceramic balls producing several forms of electricity which work to reduce and eliminate the encrustations formed in heating and cooling systems. FW Aqua Transformers are replacing the use of harsh chemicals which traditionally have been used to reduce encrustations only to have new formations which have to once again be treated with harsh chemicals, the residue of which find their way into water supplies. FWAqua Transformers change the physical properties of treated water by reducing the number of clusters in water molecules and surface tension of the water with no chemical changes to the water. Competitors in the heating and cooling water treatment sectors include chemical treatment methods which are effective but discharge dangerous chemicals to water supplies on a regular basis.There are also several magnetic based treatment technologies which are chemical free but which are generally more expensive both in terms of the equipment itself and the cost of electrical power too operate the magnetized units. FW water activation is, to the best of our knowledge, the only commercially available water treatment technology that uses the flow of water over hardened ceramic beads to create electrical forces that remove and eliminate rust, scale and corrosion in heating and cooling systems. Equipment payback is often in less than two years and the product carries a ten year manufacturer's guarantee whereas chemical treatment and magnetic technologies have ongoing costs for either chemicals or electrical consumption.

All three of our water treatment systems effectively meet the important environmental compatibility business condition governing world wide water treatment business. Viqua, Ozocan and FWAqua Transformers are all chemical free systems that introduce no harmful contaminants into water courses and meet international regulations for water treatment and permit us to compete in international water treatment markets providing products that provide effective treatment solutions in an environmentally friendly manner.

Price Competitiveness

The water treatment industry is characterized by a large number of both large and smaller suppliers with consumer decisions often based as much on price as well as performance. Systems supplied to industrial, commercial and industrial customers do dwell more heavily on detailed technical requirements with price still being a factor but not as dominant as in the case of individual consumers.

Drinking Water Systems

Given the large number of competing technologies such as chlorine, ultra violet, ozonation, reverse osmosis and various filtration methods and the many individual suppliers, price competiveness is an important customer criterion. Both Viqua and Ozocan offer products that are competitive with similar competing technologies and success is determined by how well we provide customers with convincing benefits that meet customer performance expectations and price parameters.

Industrial Commercial Systems

FWAqua Transformers successfully compete with traditional purveyors of chemical treatment for removal of scale, rust and corrosion in heating and cooling applications. We offer a ten-year manufacturer's guarantee and minimal maintenance. Chemical competitors have to continually provide chemicals over the same ten-year period whereas FWAqua Transformers often can result in full payback in less than two years. Furthermore, our solution reduces energy consumption; another cost savings for Freshwater customers that allow for significant pricing benefits to be

offered by us.

In regards to the crucial issue of being price competitive, we are able to effectively compete in the highly competitive drinking water market and may have a pricing advantage over chemical-based competitors in the industrial/commercial marketplace once comparisons of the ten-year cost of chemical treatments are made with the ten-year manufacturers' guarantee.

After Sales Service

Given the importance of both safe drinking water and efficient heating and cooling systems, customers are concerned that their water treatment suppliers are readily available to provide advice, replacement parts, trouble shooting and regular maintenance. Service responsiveness is a critical competitive business condition especially given the detailed technical considerations involved in many water treatment installations.

Suppliers of water treatment solutions who are readily accessible to their customer base are in a better position to provide the kind of service responsiveness that customers are seeking.

When a customer proposal is prepared, we try to incorporate a service-related element in its pricing strategy, especially for larger, more complex industrial, commercial and institutional customers. Our distribution network concentrates on serving customers in their immediate geographical areas and is readily available to respond to any customer concerns. If there are detailed technical matters involved, we consult with each of our three equipment suppliers to obtain the advice and solutions required for its potential, as well as existing, customers. Our local sales and technical consultants who deal with our larger, more complex installations make regular visits to monitor operations and ongoing contact to support our customers.

Ongoing Research and Development Activities

In order to compete with the large number of players in the water treatment industry, water treatment suppliers cannot afford to stand still in terms of product design and performance enhancements. Given the increasing regulation over more and more contaminants and higher performance expectations required both by regulatory agencies and individual customers, industry players must be able to devote sufficient resources to keep abreast of regulatory requirements, general advancements in water treatment technology and what they can learn from the operational concerns of their own customers.

We are fortunate in that all three of our equipment suppliers devote significant resources and efforts to upgrade performance of their respective product lines. This may involve consultation with university and technical institutions, access to the significant body of scientific and technical information, technical personnel attached to regulatory and governmental agencies as well as a company's reliance on its own sales and technical personnel who have regular contact with customer issues and concerns.

Our corporate personnel maintain close contact with its distribution network and personnel to review and provide ongoing technical and product information and solutions.

Drinking Water Products

We represent a wide range of ultraviolet drinking water products, all of which are provided to us by VIQUA, pursuant to our non-exclusive distribution agreement. VIQUA manufactures all products in Ontario, Canada. All of the drinking water products that we distribute incorporate ultraviolet technology to sterilize and clean drinking water. Ultraviolet disinfection is a well-established, economical and chemical free process that offers a 99.9% reduction in bacteria, parasites and viruses in drinking water. Ultraviolet technology imparts no chemical residues to the water supply and management believes the technology represents the most simple and cost-effective way to treat drinking water supplies. Water is treated as it passes through a chamber where it is exposed to ultraviolet radiation. The VIQUA Sterilight disinfection lamps emit a powerful light energy which, when absorbed by contaminants such as bacteria, viruses and parasites, causes the disruption of the DNA structure of the contaminants preventing reproduction of the fixed genetic components or unique characteristics of each microbial contaminant. The prevention of reproduction of contaminants is what renders ultra violet treated water safe for human consumption.

VIQUA's ultraviolet products range from 1-2 gallons per minute weighing 11 lbs. to larger units that can treat 1,000 gallons per minute weighing 1,100 pounds. The company has one of the widest ranges of sizes and types of ultraviolet water treatment systems, which make and assemble all of its products in the Guelph, Ontario, Canada manufacturing facility.

Ultra violet technology is well established and NSF International, a non profit agency based in Ann Arbor, Michigan established standards for drinking water products. In October of 2002, NSF International and the US Environmental Protection Agency (EPA) agreed to form a Drinking Water technologies Agency to develop technical evaluation of drinking water technologies. Standard 55A certification for ultra violet systems means that products certified under Standard 55 A are able to disinfect or remove microorganisms from contaminated drinking water, including bacteria and viruses. VIQUA's ultra violet products sold by Freshwater Technologies are certified under Standard 55A. Information on NSF International and its programs can be found at www.nsf.org.

The technology utilized in our drinking water products exposes water to an ultraviolet purification cycle which provides protection against bacteria and other organic matter. Our water purification system operates as follows: Sterilight ultraviolet water sterilizers incorporate natural ultraviolet light energy to eradicate water borne contaminants such as bacteria, viruses and parasites. Water enters through the bottom part of the ultraviolet reactor chamber and

swirls around a low pressure mercury vapor lamp protected by a quartz sleeve. The UV lamp emits powerful ultraviolet light energy at a wave length of 253.7 nm. Genetic components contained in the microorganisms absorb the light energy which disrupts the DNA and prevents reproduction. Treated water then exits through the top part of the chamber and is ready for human consumption.

Water Activation Products

We currently can supply approximately 15 different sizes of FWAqua Transformers, all of which are manufactured and supplied to us by ELCE International Corp. ELCE International Corp. manufactures all products and ships such products to us upon request or directly to our distributors.

Industrial and commercial boiler and refrigeration systems typically rely on water as the medium through which the heat exchange process is achieved. An energy source such as oil, electricity or natural gas is required to operate the conversion to a heating or cooling function. Most water sources, however, naturally contain minerals or salts that create rust and sediment buildup in the water supply system. The result is the gradual accumulation of these materials which reduces the efficiency of operating systems and increases energy costs. Conventional treatment of these operating problems has been through the use of chemicals to remove the deposits which result in increased facility maintenance, labor and chemical costs.

Our FW water activation products process water physically without removing or adding chemical impurities. The device is able to remove the mineral and salt buildup by passing water over hardened ceramic balls inside a stainless steel container. As the water passes through and around the ceramic balls, several types of electrical energies are created. The activated water resulting from these electrical energies causes a gradual erosion of the accumulations of solid materials inside the water system. After a period of several months, depending upon the amount of accumulation, the water system is cleansed and future accumulation of minerals and salts is prevented. The accumulated material is broken down into very tiny pieces which are purged from the systems, with larger forms of residue captured by bag filters and, in the case of boilers, there are scheduled shutdown periods when accumulated material is cleaned out from the bottom of the boiler. Once existing deposits are removed, FWAqua Transformers' activation process prevents the deposition of any new deposits in the equipment.

All FWAqua Transformers are similar in design. A stainless steel cylinder contains a precisely defined number of highly hardened ceramic balls to a certain height within the stainless steel chamber. Activators range from units with a flow capacity of 13 liters per minute, weighing 5 kilograms to large Activators with a flow capacity of over 2,100 liters per minute, weighing over 1,300 kilograms standing 2,200 millimeters high.

The water activation technology in our products offers the following benefits:

1. Elimination of chemicals;

2. A reduction in operating costs;

3. Reduced maintenance costs and labor time;

4. A 10-year full replacement guarantee;

5. No environmental impacts;

6. Energy savings;

7. Ease of installation and no maintenance; and

8. Prolonged equipment life as no corrosive chemicals are used.

Potential customers are able to observe the operation of the technology. Once the operating benefits are demonstrated, including the potential cost savings involved, customers have the option to either purchase or lease the equipment from our distributors.

Sales and Marketing

Drinking Water

Although ultra violet technology is a chemical free process, that fact, in and of itself, may not be sufficient reason for a customer to purchase an ultra violet system. There is some routine maintenance required to keep the lamp free from particle accumulation and filters installed as part of an ultra violet solution have to be changed periodically. Ultra violet lamps have a defined period of use beyond which they may not function effectively. These factors place significant responsibility on local distributors to fully understand and be able to explain the benefits and features of our ultra violet products.

We rely exclusively upon local distributors for the marketing and sale of our products. We have distributors in 6 Countries in South and Central America. We solicit local distributor candidates through our Director of Latin American marketing and in direct contact with local mechanical, heating and cooling firms. Distributor recruitment efforts will be supported by appropriate sales literature highlighting our products and technologies as well as our website and our suppliers' websites. If we are able to secure financing, we intend to provide a marketing program to support our local distributors. We intend to develop the marketing program so that it consists of Spanish language sales literature, regional advertising in health magazines, newspapers and news magazines in the language of the country in question. The target market for our drinking water products consists of both individual household and commercial consumers since VIQUA has products that can provide safe drinking water from 1.5 gallons per minute to 1000 gallons per minute. The household market includes the sale of water purification products, some of which are installed at the point-of-entry to a residential water system, as well as point-of-use filtration systems designed to improve the quality of drinking water. Household point-of-entry and point-of-use water treatment systems are used to remove bacteria, parasites and viruses in drinking water. Customer requirements for our drinking water products vary by geographical region as a result of differing water qualities and problems. We also offer a wide range of products for commercial customers through Ozocan Corporation. Commercial users require water treatment systems that remove health-related contaminants from the available water supply and are capable of treating large quantities of water on a cost effective basis.

Water Activation

We choose to market our water activation products to local distributors who already supply boiler and refrigeration equipment to commercial and industrial customers. In addition to selling original boiler and refrigeration equipment, our local distributors also may have service contracts to maintain equipment. Our local partners are now converting some of their customers to water activation equipment replacing the ongoing cost of purchasing, storing and handling of chemicals which also introduce potentially hazardous materials into the environment. Customers may either purchase our products outright or lease such products if they wish to remove accumulated buildup in their water systems. For production uses for manufacturing and agricultural customers, we are currently marketing the water activator through our agents.

Training and Technical Information

We provide local distributors with a variety of services, including initial training and product familiarization as well as ongoing education and technical assistance in each country where we operate. We offer regular bi monthly on site management, sales, installation and service support. We realize the importance of working directly in person with our local distributors. In addition, we maintain a system of weekly contact with each distributor plus 2-5 country visits each year. We also update technical and product information on our website as well as assist local distributors in the preparation of sales proposals and often participate directly in making sales calls and sales presentations with our local distributors. We do not charge the local distributors for our training and technical information or related services.

Our commercial products use technologies similar to our household products, but afford greater capacity, durability and effectiveness and allow customers increased flexibility for customization. For example, commercial customers in the beverage industry may use our products as they require consistent quality water to enable them to preserve uniformity of taste and appearance in their products, to reduce health-related contaminants and minimize equipment maintenance costs.

Technology

All technologies utilized within our products have either been developed or sourced and tested by our sole suppliers, ELCE International Corp., VIQUA and Ozocan Corporation. The principal technologies utilized in our drinking water products are ultraviolet sterilization techniques widely recognized as an effective and affordable chemical free water treatment technology that meets NSF/EPA drinking water standards for ultraviolet systems and exceeds U.S. Public Health Standards. Standard 55 A for ultraviolet treatment systems certifies equipment that can provide safe drinking water from water supplies containing microbial contaminants harmful to human health. VIQUA's ultraviolet products sold by Freshwater Technologies have received NSF certification under Standard 55A.

Ozocan Corporation's products use ozone as a proven disinfectant; ozone is one and ½ times more powerful than chlorine and, unlike chlorine, it discharges no potentially harmful substances into the environment. Used in a variety of water treatment applications, Ozocan's products effectively treat municipal and industrial drinking water and waste water and are used in bottled water applications as well as treating air conditioning and cooling water installations.

The principal technologies utilized in our water activation products are electrolytic fluidization with the use of special ceramic materials. The friction caused by water flowing around the ceramic balls generates several types of electrical energies. The inventor of water activation units, has provided the following summary of some of the technologies used in their water activation units:

Electrical Energy Forms

Pyroelectricity: Energy generated by electrons coming out of the ceramics and produced by the temperature differences between the ceramic's outer surface and water or between the inner and outer areas of the unit.

Piezoelectricity: This form of energy is created by changes in water pressure as water passes around the ceramics or by a change in pressure between the ceramic balls themselves.

Frictional electricity: This electrical charge is produced by the friction generated between the ceramic balls themselves or caused by the combination of the collision between the ceramic balls and the water passing through the stainless steel cylinder.

Intellectual Property

We do not currently own any intellectual property other than our registered domain name of www.freshwatertechnologies.ca, which we have the right to renew every two years.

Research and Development

We do not carry out any independent research and development of our drinking water products. All research and development is carried out by VIQUA and Ozocan Corporation in regards to our drinking water products.

Currently, we are testing our FWAqua Transformer on agicultural applications in Colombia. All other research and development is carried out by ELCE International Corp. in regards to our water activation products.

Warranty

ELCE International Corp. provides a 10 year replacement guarantee on its water activation units provided the unit is installed according to manufacturer's specifications. VIQUA's Sterilight systems carry a 7 year warranty on the stainless steel reactor chamber, a 1 year warranty on UV lamps and monitor probes, and a 5 year pro rated warranty on all other components.

Government Approval

Neither our company nor our company's products or services are regulated by governments in any of our markets and no permits specific to our industry are required in order for us to operate or to sell our products and services. VIQUA has received NSF approval for meeting ultraviolet drinking water standards which are generally higher than standards in the countries where we sell ultraviolet products. Some jurisdictions, like the EPA in the United States, have developed drinking water standards which can be achieved with a variety of technologies but not with direct regulation of such devices themselves.

Environmental Issues

To our knowledge, neither the sale nor the distribution of our products constitute activities or generate materials, in a material manner, that require compliance with federal, state or local environmental laws in any jurisdictions of our operation. Our ultraviolet water treatment systems must meet drinking water standards in any jurisdictions where we maintain business operations. NSF International, the Non Profit agency certifies, in conjunction with the US Environmental Protection Agency (EPA), ultra violet products that will meet NSF Standard 55A for effective treatment of water borne bacteria and viruses. VIQUA's products sold by Freshwater Technologies have been certified

as meeting NSF Standard 55A which exceeds drinking water standards established in other countries.

Employees

We are currently operated by Max Weissengruber as our President, D. Brian Robertson as our Treasurer, Chief Financial Officer and Vice-President of Sales and Douglas R. Robertson as our Secretary. We also have a Senior Operations consultant, a Director of Marketing and Sales for Latin America, two sales agents in Colombia, a marketing services consultant and a web development consultant. As a development stage company, we are currently able to manage our business with these consulting personnel. We rely extensively on our local distributors supported by our Vice President of Sales and Director of Latin America Sales to generate sales of our products. We also receive technical support from our three product suppliers VIQUA, Ozocan Corp. and ELCE International. We also retain the technical services of Graham Linttell for shipping and installation assistance. Periodically, we may periodically hire independent contractors to execute our marketing, sales, and business development functions. We may hire employees when circumstances warrant. If it does become necessary, we intend to carry out any such hiring on a contract basis.

Summary of Proposed New Business

On March 7, 2011, we entered into a letter of intent with Agent155 Media Corp. of New York, New York ("Agent155") regarding the acquisition of Agent155 in a tax-free reorganization pursuant to Section 368 of the Internal Revenue Code. Agent155 offers models, performers, artists, athletes, musicians, filmmakers and agencies a multimedia content management solution, providing a collaborative forum for the creative world to network and develop. It provides talent agencies, agents, producers, directors, and recording companies a one-stop location to search and view the profiles and work of emerging talent. Through Agent155, we plan to produce films, music tours, commercials and various events using talent exclusively from Agent155.

Subsequent to the closing of the proposed acquisition, our business will focus on providing an affordable, high-quality online presence for the global artistic and athletic communities. We intend to stream and redistribute member content through media channels such as television, radio, film, Internet and print. Our mission will be to make this opportunity for exposure, collaboration and networking accessible to everyone, worldwide.

The proposed acquisition of Agent155 will require our shareholders to approve the following actions:

a 1,000 to 1 reverse split of our common shares;

a change of our name to "Agent155 Media Corp.";

the issuance of 100,000,000 of restricted common shares to Christopher Martinez, President of Agent155, in exchange for the assets and business of Agent155;

the filing of a Form S-8 registration statement;

the sale of our water business assets, business and corporate name to Max Weissengruber, President and Brian Robertson, Chief Financial Officer in consideration of $115,823;

consulting contracts with Max Weissengruber, Brian Robertson, Claudio Sgarbi and Michael Borrelli to issue common shares to these individuals under the Form S-8 registration statement; and

the issuance of certain restricted common shares to three individuals.

Pursuant to the letter of intent, Agent155 will become responsible for certain our liabilities as follows:

the payment of our outstanding convertible note payable, plus interest, will be negotiated with our creditor by Agent155;

our accounts payable will be paid by Agent155 within 30 days of the closing of the acquisition; and

the amounts owing to our directors will be settled by the payment of $83,797 to those individuals.

At or prior to the closing of the acquisition, all of our directors and officers will resign from their respective positions and Christopher Martinez, President of Agent155, will become our President, CEO and sole director. Additional members of our Board of Directors will be determined at a later date.

Following the closing of the acquisition, we anticipate that we will generate multiple revenue streams from the following:

- our self-advertising platform, through which members will be able to set their own daily budget (similar to Google Adwords and Facebook);
- Agent155 Films, through which we will acquire films from members and redistribute, produce and market those films;
- the online sale of music by our musician members, from which we anticipate receiving 30% of the proceeds;
- the sale and/or rental of members by their films online, from which we anticipate receiving 30% of the proceeds; and
- the sale of artwork, paintings, sculptures, jewellery, etc. online by our artist members, from which we anticipate receiving 30% of the proceeds.

The completion of the transactions contemplated by the letter of intent, including the closing of the acquisition of Agent155, is subject to continued due diligence by both Agent155 and us, as well as the negotiation and execution of a final acquisition agreement. We cannot guarantee that we will successfully complete any of the transactions described in the letter of intent.

Item 1A. Risk Factors.

Not applicable.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our executive and head office is located at Suite 200, 30 Denver Crescent, Toronto, Ontario, Canada, M2J 1G8. This 150 square foot office is provided by Max Weissengruber at no cost to us. This operating facility functions as our main operating facility. We believe our current premises are adequate for our current operations and we do not anticipate that we will require any additional premises in the foreseeable future.

Item 3. Legal Proceedings.

We know of no material pending legal proceedings to which we are a party or of which any of our property is the subject. There are no material pending legal proceedings in which any of our directors, officers or affiliates is an adverse party or has a material interest adverse to our interest.

Item 4. (Removed and Reserved).

10

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is quoted on the OTC Bulletin Board under the Symbol "FWTC". Our stock was originally approved for trading on the OTC Bulletin Board on September 2, 2008 under the symbol "FWTC".

The following table reflects the high and low bid information for our common stock obtained from the OTC Bulletin Board and reflects inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

The high and low bid prices of our common stock for the periods indicated below are as follows:

Quarter Ended	Bid High	Bid Low
12/31/2010	$0.010	$0.0016
09/30/2010	$0.0117	$0.004
06/30/2010	$0.055	$0.009
03/31/2010	$0.065	$0.014
12/31/2009	$0.017	$0.015
09/30/2009	$0.025	$0.02
06/30/2009	$0.055	$0.04
03/31/2009	$0.08	$0.03

On April 14, 2011 the closing price for the common stock as reported by the quotation service operated by the OTC Bulletin Board was $0.001.

Transfer Agent

Our common shares are issued in registered form. The registrar and transfer agent for our common shares is Signature Stock Transfer Inc. of 2632 Coachlight Court Plano, Texas, 75093 (Phone: (972) 612-4120, Fax: (972) 612-4122).

Holders of Common Stock

As of March 31, 2011, there were approximately 35 registered holders of record of our common stock. As of such date 243,322,063 common shares were issued and outstanding.

Dividends

We have not paid any cash dividends on our common stock and have no present intention of paying any dividends on the shares of our common stock. Although there are no restrictions that limit our ability to pay dividends on our common stock, our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our board of directors.

Securities Authorized for Issuance UnderEquity Compensation Plans

The following table summarizes certain information regarding our equity compensation plan as at December 31, 2010:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plan
Equity compensation plans approved by security holders	Nil	Nil	Nil
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	Nil	Nil	Nil

2010 Non-Qualified Stock Plan

On January 20, 2010, we adopted an equity incentive plan entitled the 2010 Non-Qualified Stock Plan. The purpose of the 2010 stock plan is to secure for us and our stockholders the benefits arising from capital stock ownership by employees, officers and directors of, and consultants or advisors to, our company who are expected to contribute to our future growth and success. Our board of directors administers the 2010 stock plan and may grant up to 25,000,000 shares of our common stock pursuant to the 2010 stock plan. On January 26, 2010, we filed a registration statement on Form S-8 to register a total of 25,000,000 shares of our common stock which may be issued under the 2010 stock plan.

In January 2010, we entered into a one year business consulting services agreement whereby we issued 6,000,000 common shares, on January 25, 2010, for business consulting services to be rendered over a one year period. The shares were issued under the 2010 stock plan registered on Form S-8 filed on January 26, 2010.

On February 22, 2010, we entered into a one year web development consulting services agreement whereby we issued 3,000,000 common shares for web development consulting services to be rendered over a one year period. The shares were issued under the 2010 stock plan registered on Form S-8 filed on January 26, 2010.

On February 22, 2010, we entered into a one year marketing consulting services agreement whereby we issued 4,000,000 common shares for marketing consulting services to be rendered over a one year period. The shares were issued under the 2010 stock plan registered on Form S-8 filed on January 26, 2010.

On June 7, 2010, we entered into a technical environmental consulting services agreement whereby we issued 5,000,000 common shares for technical environmental consulting services to be rendered over a six month period. The shares were issued under the 2010 Stock Plan registered on Form S-8 on January 20, 2010.

On October 7, 2010, we extended our technical environmental consulting services agreement whereby we issued 5,000,000 common shares for technical environmental consulting services to be rendered over a six month period commencing December 7, 2010. The shares were issued under the 2010 Stock Plan registered on Form S-8 on January 20, 2010.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

Since the beginning of the fourth quarter of our fiscal year ended December 31, 2010, we have not sold any equity securities that were not registered under the Securities Act of 1933 that were not previously reported in a quarterly report on Form 10-Q or in a current report on Form 8-K, with the exception of the following:

On November 8, 2010, $7,500 worth of principal of the $55,000 8% convertible note payable we issued on May 3, 2010 was converted into 2,027,027 common shares in accordance with the terms of the convertible note agreement.

On January 3, 2011, $10,000 worth of principal of the $55,000 8% convertible note payable we issued on May 3, 2010 was converted into 9,090,909 common shares in accordance with the terms of the convertible note agreement.

On February 7, 2011, $8,000 worth of principal of the $55,000 8% convertible note payable we issued on May 3, 2010 was converted into 8,888,889 common shares in accordance with the terms of the convertible note agreement.

On March 3, 2011, $4,500 worth of principal of the $55,000 8% convertible note payable we issued on May 3, 2010 was converted into 6,428,571 common shares in accordance with the terms of the convertible note agreement.

On March 11, 2011, $7,000 worth of principal of the $55,000 8% convertible note payable we issued on May 3, 2010 was converted into 11,666,667 common shares in accordance with the terms of the convertible note agreement.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our audited financial statements for the years ended December 31, 2010 and December 31, 2009 and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this annual report.

Our audited financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

Results of Operations for the Period from January 21, 2005 (date of inception) to December 31, 2010

The financial statements have been restated to reflect the operations of Freshwater Technologies, Inc. from the date of its inception, January 21, 2005. During the period from January 21, 2005 (date of inception) to December 31, 2010, we generated $477,307 in revenue. This revenue was generated from sales of both our drinking water products and water activation products with the majority or 98% of the sales consisting of ELCE International Corp. water activation units in Peru, Panama and Costa Rica. The cost of sales on these orders was $214,999 resulting in a gross profit of 55%.

During the period from January 21, 2005 to December 31, 2010, our operating expenses totaled $2,909,070. Amotization of intangible assets was $667,056; consulting costs were $283,000; general and administrative expenses were $550,703; marketing and sales expenses and consulting expenses totaled $688,051; and professional fees were $258,646. Imputed interest, on Director's loans, totaled $115,186 and commission expense on water activation equipment rentals amounted to $5,900. A provision in the amount of $340,528 was made for sales that were deemed to be uncollectable net of recoveries to December 31, 2010 as these sales were in excess of one year old. We recorded a gain on settlement of debt in the amount of $99,709 and an accretion of discounts on convertible notes payable in the amount of $59,452.

We reported a net loss of $2,606,505 for the period from date of inception to December 31, 2010.

Results of Operations for the Years Ended December 31, 2010 and December 31, 2009

During the year ended December 31, 2010, we generated $349 in sales revenue compared with $15,159 for the year ended December 31, 2009. The decrease in sales is a result of less volume of sales due to stiffer competition. Cost of sales for the year ended December 31, 2010 was $181 or 52% of sales as compared with cost of sales of $546 for comparable drinking water equipment sales or 62% of sales for the year ended December 31, 2009. The balance of our sales for the 2009 fiscal year of $14,275 represented sales and rentals of water activation equipment previously written off. For the year ended December 31, 2010 our gross profit was 48% of sales of drinking water equipment compared with gross profit of 38% of sales during the year ended December 31, 2009.

During the year ended December 31, 2010, our operating expenses totalled $1,051,171 as compared to $604,991 for the year ended December 31, 2009. Amortization of intangible assets representing costs incurred to acquire product distribution rights under the joint venture agreement with ELCE International Corp. amounted to $344,866 for the year ended December 31, 2010 compared with $322,190 for the year ended December 31, 2009. Professional fees amounted to $70,408 for the year ended December 31, 2010 as compared to $45,786 for the year ended December 31, 2009 with the main increases being attributable to legal fees incurred for our convertible note financing and increased legal and accounting fees. Marketing and sales expenses and consultants' costs were $237,591 for the year ended December 31, 2010 as compared to $242,913 for the year ended December 31, 2009. This decrease is due to a decrease in costs relating to our Joint Venture Agreement with ELCE International Corp. of $67,936, a decrease in travel expenses and fees for our Director of Latin America sales of $6,430, an increase due to the marketing services consulting agreement of $68,109, a decrease in fees and expenses for our Agent in Colombia of $1,855 and an increase in Central/South America travel of $2,790. General and administrative expenses were $414,891 during the year ended December 31, 2010 as compared to $22,577 for the year ended December 31, 2009. This increase is due to our entering into consulting service agreements during 2010 for general consulting services, research and development consulting services, web site update consulting services and environmental technical consulting services of $188,376, public relations and shareholder communication consulting services agreements and related costs of $199,850, an increase in interest on convertible notes of $6,319 offset by a decrease in other general and administrative costs of $2,231. Imputed interest on directors' loans was $7,965 for the year ended December 31, 2010 as compared to $9,163 for the year ended December 31, 2009. This decrease reflects lesser amounts owing to directors during 2010. For the year ended December 31, 2010 we recovered $24,550 of sales previously written off as compared to $43,538 for the year ended December 31, 2009. Commission expense on rental revenue was nil for the year ended December 31, 2010 compared to $5,900 for the year ended December 31, 2009. Accretion of discounts on two convertible notes issued in May 2010, one convertible note issued in July 2010 and one convertible note issued in September 2010 amounted to $59,452 for the year ended December 31, 2010 compared to nil for the year ended December 31, 2009. During the year ended December 31, 2010 we recorded no gain on settlement of debt as compared to $97,709 for the year ended December 31, 2009.

We reported a net loss of $1,110,455 for the year ended December 31, 2010 as compared to a net loss of $492,669 for the year ended December 31, 2009.

Liquidity and Capital Resources

Presently, our revenue is not sufficient to meet our operating and capital expenses. Management projects that we will require additional funding to expand our current operations. There is some doubt about our ability to continue as a going concern as the continuation of our business is dependent upon successful and sufficient market acceptance of our products and maintaining a break even or profitable level of operations.

We have incurred operating losses since inception, and this is likely to continue into the year ending December 31, 2011. Management projects that we may require an additional $1,000,000 to $1,400,000 to fund our operating expenditures for the next twelve month period. Projected working capital requirements for the next twelve month period are broken down as follows:

Estimated Working Capital Expenditures During the Next Twelve Month Period

Operating expenditures		
Marketing	$	400,000 - 500,000
General and Administrative	$	50,000 - 75,000
Legal and Accounting	$	50,000 - 75,000
Working capital	$	400,000 - 600,000
Repayment of Directors' Advances	$	100,000 - 150,000
Total	$	1,000,000 - 1,400,000

Our cash on hand as at December 31, 2010 was $371. As at December 31, 2010, we had negative working capital of $191,238. We require funds to enable us to address our minimum current and ongoing expenses and to continue with marketing and promotion activity connected with the development and marketing of our products.

We anticipate that our cash on hand and the revenue that we anticipate generating going forward from our operations will not be sufficient to satisfy all of our cash requirements for the next twelve month period. If we require any additional monies during this time, we plan to raise any such additional capital primarily through the private placement of our securities, borrowing money from third parties or borrowing further amounts from our Directors. We will continue to seek additional funds from our Directors to fund our day to day operations until a private placement can be pursued but we have no guarantee that our directors will continue to fund our day to day operations.

The weakening of economic conditions around the world could have harmful effects on our business. Weakening economic conditions generally lead to less money being spent on luxuries, which water treatment products may be considered by many to be. If consumers spend less and do not choose to spend their limited funds on our water treatment products, we will earn less revenue then we currently plan to and we will be less likely to achieve profitable operations.

The economic problems will likely also have a negative impact on the amount of money we may expect to raise through sales of our equity securities. Many investors have not returned to the market due to declining share prices across many economic sectors that had occurred in prior years. Because of this and other market factors, if we choose to raise funds through the sale of our equity securities, potential investors may be less likely to buy our equity securities or we may be need to sell our equity securities at low prices, resulting in fewer proceeds. This would make it difficult for us to raise adequate amounts to fund our operations through the sale of our equity securities.

Some of our customers or suppliers could experience serious cash flow problems due to the current economic situation. If our customers or suppliers attempt to increase their prices, pass through increased costs, alter payment terms or seek other relief, our business may suffer from decreased sales to final consumers or increased costs to us. If any of our vendors or suppliers go out of business, we may not be able to replace them with other companies of the same quality and level of service. If the quality of our products and promptness of delivery deteriorates as a result, our revenue will likely decrease as retailers and consumers would be less likely to choose our products out of those available to them.

If we are unable to fund our operations through revenues or the sale of our equity securities, then we may choose to borrow money to pay for some of our operations. A tightening of credit conditions continues to be experienced in the economy. Because of this credit crisis, it is possible that we would not be able to borrow adequate amounts to fund our operations on terms and at rates of interest we find acceptable and in our best interests.

If we cannot fund our planned operations from revenue, the sale of our equity securities or through incurring debt on acceptable terms, then we will likely have to scale down or cease our operations. If we scale down our operations, our share price would likely decrease and if we cease our operations, shareholders will likely lose their entire investment in our company.

We do not expect that the difficult economic conditions are likely to improve significantly in the near future, and further deterioration of the economy, and even consumer fear that the economy will deteriorate further, could intensify the adverse effects of these difficult market conditions.

Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on our audited annual financial statements for the years ended December 31, 2010 and December 31, 2009, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that led to this disclosure by our independent auditors. There is substantial doubt about our ability to continue as a going concern as the continuation and expansion of our business is dependent upon obtaining further financing, successful and sufficient market acceptance of our products, and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. Fundraising continues to be one of our primary objectives over the next twelve months. Our financial requirements for the next twelve months will depend on our ability to raise the money we require through credit facilities and additional private placements of our equity securities to our directors and shareholders or new shareholders. The issuance of additional equity securities by us may result in a significant dilution in the equity interests of our current shareholders. Even though we have determined that we may not have sufficient working capital for the next twelve month period, we have not yet pursued such financing options. There is no assurance that we will be able to obtain further funds required for our continued operations or that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease our operations.

Operating Activities

Operating activities used cash of $794,805 for the period between our date of inception (January 21, 2005) to December 31, 2010. Operating activities used cash of $180,425 for the year ended December 31, 2010 and $242,280 for the year ended December 31, 2009.

Financing Activities

Net cash provided by financing activities was $795,176 for the period between our date of inception (January 21, 2005) to December 31, 2010. Net cash provided by financing activities was $180,570 for the year ended December 31, 2010 and $242,346 for the year ended December 31, 2009. For the year ended December 31, 2010 four convertible notes totalling $145,000 and a loan of $41,000 provided $186,000 of these financing activities offset by the net repayment of $5,430 to two of our directors as compared to the financing activities being totally provided by those two directors during the year ended December 31, 2009.

Non-cash Investing and Financing Activities

On July 21, 2010, we entered into an investor relations, public relations and corporate communications services agreement commencing July 22, 2010 for a period of three months in exchange for the issuance of 2,000,000 restricted common shares.

On June 7, 2010, we entered into a technical environmental consulting services agreement with a consultant whereby we issued 5,000,000 common shares for technical environmental consulting services to be rendered over a six month period. On October 7, 2010, we extended the technical environmental consulting services agreement with a consultant whereby we issued 5,000,000 common shares for technical environmental consulting services to be rendered over a six month period commencing December 7, 2010.

On May 5, 2010, we entered into a six month Public Relations and Corporate Communication Service Agreement whereby we issued 9,000,000 restricted shares of Class A common stock to Equitytrend Advisors LLC.

On February 22, 2010, we entered into a one year web development consulting services agreement whereby we issued 3,000,000 common shares for web development consulting services to be rendered over a one year period. The shares were issued under the 2010 Stock Plan and were registered on Form S-8 filed on January 26, 2010.

On February 22, 2010, we entered into a one year marketing consulting services agreement whereby we issued 4,000,000 common shares for marketing consulting services to be rendered over a one year period. The shares were issued under the 2010 Stock Plan and were registered on Form S-8 filed on January 26, 2010.

In January 2010, we entered into a one year business consulting services agreement whereby we issued 6,000,000 common shares, on January 25, 2010, for business consulting services to be rendered over a one year period. The shares were issued under the 2010 Stock Plan and were registered on Form S-8 filed on January 26, 2010.

In August 2009, we issued 25,000,000 shares of common stock for settlement of debt of $375,000 at a fair value of $0.011 per share.

On January 25, 2009, we issued 10,000,000 restricted shares of common stock to Claudio Sgarbi, the President of ELCE International Corp. upon closing of a joint venture agreement with ELCE International Corp. Under this joint venture agreement an additional 5,000,000 restricted common shares were issued August 20, 2009 and 15,000,000 restricted common shares were issued January 25, 2010. Intangible assets calculated under this joint venture agreement represent costs incurred to acquire product distribution rights under the agreement amounting to $689,732.

Growth Strategy

During 2010, we signed consulting services agreements with four consultants for technical environmental services, general business services, marketing services and web development services. We also signed two investor and public relation services agreements during 2010.

During 2009, we signed agreements with two agents representing us in Colombia. In 2009, arrangements were made for testing of our FW Activators on agricultural applications at a University in Cali, Colombia which continued during 2010.

We plan to incrementally increase sale of water activation products by using successful installation as local reference points for approaching industries or commercial firms that utilize similar boiler and refrigeration systems. Our success will be largely dependent upon the marketing of our products to a manageable number and variety of markets. In the

event that we are able to secure sufficient financing, we will be able to consider expanding the offering of additional products and/or technologies by our three suppliers or future additional suppliers. If we have the appropriate resources, we can also gradually explore establishing relationships with an increased number of suppliers.

Future Operations

Our primary objectives for the next twelve month period include the pursuit of financing through private placement of our equity securities to directors, shareholders and new shareholders which would allow us to further develop and expand our present marketplace building on our local distributor and customer base to secure more sales and product installations where we have established commercial credibility. We believe that there is a strong market for our innovative and cost effective product lines. We intend to seek to establish relationships with heating and cooling service and equipment suppliers as well as firms already supplying pumps, water tanks, and other water related equipment.

Marketing

Assuming that we will be able to obtain the financing that we need, we estimate that we will incur $400,000 to $500,000 in marketing costs during the next twelve month period. Our proposed marketing activities for the next twelve month period include:

1. Advertisements in local markets, in the language of the country and editorial coverage in water treatment journals and magazines demonstrating successful applications of ultraviolet and water activation technologies.

2. Participation in selected trade show directed at both distributors as well as consumer related events for people interested in drinking water treatment systems for their own homes.

3. Building on local, word-of-mouth support from satisfied customers who have contacts within their own industry or community or, in the case of individual home owners, people who live in their communities who are concerned about drinking water quality and looking for affordable treatment solutions.

4. Pursuit of local distributors who will properly represent our products.

If we are able complete the proposed acquisition of Agent155 as described elsewhere in this annual report, our marketing costs for the next twelve months may change significantly.

General and Administration

General and administration costs include personnel costs, office, and miscellaneous expenses. We estimate that we will incur $50,000 to $75,000 in general and administrative costs during the next twelve month period based on our previous costs and the probable expansion of our business over the next twelve month period. These costs may change significantly if we are able complete the proposed acquisition of Agent155 as described elsewhere in this annual report.

Our company is currently operated by Max Weissengruber as our President, D. Brian Robertson as our Treasurer, Chief Financial Officer and Vice-President of Sales and Douglas R. Robertson as our Secretary. Given our present status as a development stage company, these officers and directors are capable of managing our current level of business much of which is conducted by our local distributors and supported by our Vice President of Sales, Senior Operations Consultant, Director of Marketing for Latin America and our Southern Colombian sales agents. We also receive the support and advice of our three product suppliers VIQUA, Ozocan Corporation and ELCE International. We may periodically hire independent contractors to execute our marketing, sales, and business development functions. In the next twelve month period, we plan to hire independent contractors to assist in business development with an emphasis on marketing, recruiting and management of distributors. We may choose to compensate such persons with consideration other than cash, such as shares of our common stock or options to purchase shares of our common stock.

Other Expenses

We expect our ongoing legal and accounting expenses to average less than $5,000 per month for the next twelve month period, although this may change if we are able to negotiate and execute a definitive acquisition agreement with Agent155.

In management’s opinion, we need to achieve the following events or milestones, which cannot and will not be achieved unless we first obtain the financing we require, in the next twelve month period in order for us to become a

going concern:

1. We must build on sales from our existing local distributors in whom we have now made a considerable investment. In addition to increasing sales through our local distributors, we plan, as resources become available, to incrementally develop a local distribution network which, in turn, must succeed in selling our products to end-users. Continuous technical and sales support and in person visits calling on customers and potential customers is the most effective way to increase the sales effectiveness of our distributors. New local distributors have been generated by cold-calls, email lists and most importantly, by referrals from current customers.

2. Our local distributors must increase the orders made by existing customers. This will be accomplished by ensuring customer satisfaction with the performance and pricing of the existing product lines and by establishing revenue streams from existing customers.

3. We must improve our gross profit margin by increasing our orders resulting in larger discounts and decreasing our shipping costs.

Purchase or Sale of Equipment

We do not anticipate that we will expend any significant amount on equipment for our present or future operations. We may purchase computer hardware and software for our ongoing operations.

Off-Balance Sheet Arrangements

We have no outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 8. Financial Statements and Supplementary Data.

Freshwater Technologies, Inc.
(A Development Stage Company)

December 31, 2010

Report of Independent Registered Public Accounting Firm

To the Directors and Stockholders
Freshwater Technologies, Inc.
(A Development Stage Company)

We have audited the accompanying balance sheets of Freshwater Technologies, Inc. (A Development Stage Company) as of December 31, 2010 and 2009, and the related statements of operations, cash flows and stockholders' equity (deficit) for the years then ended and accumulated from January 21, 2005 (Date of Inception) to December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Freshwater Technologies, Inc. (A Development Stage Company) as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended and accumulated from January 21, 2005 (Date of Inception) to December 31, 2010, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated any sustained revenues and has incurred operating losses from operations. The Company has a working capital deficiency and will need additional financing to sustain operations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ “Manning Elliott LLP”

CHARTERED ACCOUNTANTS

Vancouver, Canada

April 14, 2011

F-1

Freshwater Technologies, Inc.
(A Development Stage Company)
Balance Sheets
(expressed in U.S. dollars)

	December 31, 2010 $	December 31, 2009 $
ASSETS		
Current Assets		
Cash	371	226
Accounts receivable	129	–
Other receivables	3,942	1,791
Inventory	115,823	122,211
Prepaid consulting fees	52,109	–
Total Current Assets	172,374	124,228
Intangible Assets (Notes 2(l) and 4(a))	22,676	367,542
Total Assets	195,050	491,770